



CREDIT INSURANCE CHECKLIST

Edition: 07/2009

Life & Health Section
85 Seventh Place East, St. Paul, Minnesota 55101-2198

60A.08 Subd. 5 Contracts of Insurance

Signatures Required

The signatures may be facsimile signatures and may be placed in brackets [] designating a request for variability.

61B.28 The Minnesota Life and Health Insurance Guaranty Association Law

Subd. 7 Requires notice in accordance with the Minnesota Life and Health Insurance Guaranty Association concerning policyholder rights concerning insolvency. The Notice may be a part of the application.

Subd. 8 Form of Notice Required

62B.01 Scope

All life insurance, accident and health insurance, and involuntary unemployment insurance in connection with loan or other credit transactions are subject to sections 62B.01 to 62B.14, except mortgage life, mortgage accidental death, and mortgage disability insurance written in connection with first real estate mortgage loans. [As amended by Chapter 307, SF 3315, Laws of 2002, effective April 2, 2002.]

62B.03 Forms of Credit Life Insurance, Credit Accident and Health Insurance, and Credit Involuntary Unemployment Insurance

Only the forms of credit insurance as authorized by this statute are allowed.

62B.04 Amount of Credit Life Insurance and Credit Accident and Health Insurance

Subd. 1 (1) Initial Amount of Credit Life Insurance Coverage Regulated.

Pursuant to 62B.04, Subd. 1 (1) the initial amount of credit life coverage shall not exceed the amount of principal (of the debt). Thereafter, if the indebtedness is repayable in equal installments, the amount of insurance shall not exceed the scheduled or actual amount of indebtedness.

Subd. 1 (2) Repayment Schedules Over 63 Months

Additionally, according to 62B.04, Subd. 1(2), if the repayment is over 63 months, the life coverage shall not exceed the greater of (1) the actual amount of unpaid indebtedness; or (2) if the indebtedness is payable in equal installments, the scheduled amount of unpaid indebtedness, less unearned interest of finance charges plus two month payments.

Subd. 1 (3) Education, Agricultural, And Horticultural Credit Transactions

This provision allows education, agricultural and horticultural credit transactions to be written on a non-decreasing or level term.

Subd. 2. Credit A & H Insurance “Shall Not Exceed The Aggregate...”

Credit disability or accident and health insurance shall not exceed the aggregate of the periodic scheduled unpaid installments of the indebtedness pursuant to 62B.04, Subd. 2.

Subd. 2 (b) Disclosure Requirements for Applications or Enrollment Forms

Subd. 2 (c) Minimum Requirements for Disability Coverage That Contains a “Critical Period”

A critical period is when there are a limited number of monthly benefit payments that may be paid to the beneficiary or the policyholder or certificate holder as a result of any one instance of disability.

Subd. 2 (d) Limit Regarding the Final Payment of a Balloon Loan

Unless the policy or certificate provides for such coverage, nothing in this section shall be interpreted as requiring an insurer to provide coverage for the final payment of a balloon loan or for a period that exceeds the age limitation in the policy or certificate or for amounts that exceed the insurer's maximum liability limits.

62B.05 Term of Credit Insurance

The term of credit insurance shall not extend more than 15 days beyond the scheduled maturity date except when extended without additional cost to the debtor.

62B.08 Premiums and Refunds

Subd. 2 Refund Upon Termination

Policy must provide that in the event of termination of the insurance prior to the scheduled maturity date of the indebtedness, any refund must be paid to the appropriate person.

62B.12 Refer to Minn. Rules, Chapter 2760 as revised effective July 1, 2009

Effective July 1, 2009, Minnesota adopted new rules governing rates and forms for life insurance and disability (A&H) insurance that is sold in connection with credit transactions such as consumer finance loans. The new rules replace the previous Minnesota rules, chapter 2760. The governing statutes, which are Minnesota Statutes, Chapter 62B, have not changed.

The primary purpose of the proposed rules is to provide better value to consumers by improving policy benefits and reducing policy rates. In addition, the new rules will streamline the rate approval process and facilitate a fair and stable marketplace for credit insurance products.

The new rules incorporate revised prima facie rates, and require an effective date of no later than January 1, 2010 for rates that comply with the new rules.

Note that the benefits provided by the filed forms must equal or exceed the coverage described in the new Chapter 2760, or else the rates must be reduced to reflect the lesser coverage.

Note: All rate filings must include an Actuarial Memorandum.

Subp. 2 Decreasing Term Life

Subp. 3 Level Amount Life

Subp. 4 Joint Decreasing Term Life

Subp. 5(C) Credit Accident and Health

The prima facie rates for credit disability insurance are found in the table listed in Minn. Rules, part 2760 and are for policies that provide or offer coverage that equals or exceeds the coverage described in part 2760.

Truncated Coverage Allowed

Truncated coverage is acceptable if in compliance with all other requirements.

Applications/Enrollment Forms

Enrollment forms are considered application and require prior approval.

Requirements for a “Minimum Number of Debtors”

Requirements that group policyholders must maintain a minimum number of participants must be deleted. Such provisions may serve to coerce members to buy coverage they would not ordinarily purchase as a means for the policyholder to maintain a certain participation level.